

selves at the mercy of foreign capitalists nor submitting tamely to that war of commerce which every nation is willing to make upon us, if we do not take effectual means for our own self-preservation.

New York, July 12, 1875.

A large, elegant handwritten signature in black ink. The signature is written in a cursive style, with the first part being a large, stylized 'P' that loops around. The full name 'Peter Cooper' is clearly legible in the cursive script.



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MR. PETER COOPER'S ANSWER.

To the Editor of the "Evening Post" :

In some of your late issues, I find an article by S. S. P., entitled "Peter Cooper's New Departure," and an article with a similar title, by my old and valued friend, John B. Jarvis. These communications allude to the fact, that seventeen years ago, I held it to be unsafe for the public welfare, as I now do, to allow banks to incur liabilities, payable in specie, on demand, by issues of paper and loans many times the amount of the specie they held in their vaults, or could obtain from any source, for the immediate payment of their notes in gold, on demand. This demand was made with all the accompanying disasters of wide-spread ruin and interruption of credit and industry, in times called "panics." The effect of the panic of 1857, and the causes, are very clearly detailed in Mr. Caldwell's work on "Ways and Means of Payment"—p. 485.

Gold is a commodity, and a product of industry. Its value is determined, like that of any other commodity, by supply and demand. Why not let those who need it, pay the price? Why should the necessary facilities of the *home trade* be contracted, whenever there is a demand for gold for export? This it is that subjects the whole country, from time to time, to a fall or derangement in prices and an interruption to business? Even with our present irredeemable legal-tenders, all must see that when gold varies five per cent. in a few days, neither the value of these legal-tenders, as measured by other property, nor the rest of the property of the country is perceptibly affected. My "New Departure," as my friends term it, is the result of observation and experience. I should be sorry to be among those who learn nothing from the past. "Hard money," or what is equivalent to it, a paper currency at all times redeemable in gold and silver, can no longer be relied on to answer the wants of this country. But I am as much opposed to an irredeemable currency, and an inflated and irresponsible paper money as I ever was. Our experience, as a nation, should have taught us by this time, by the "panics" of the past and the oft-repeated failures of banks, that these banks are utterly

unable to redeem their notes in specie whenever gold is wanted of them in any large quantities. It is evident that there is some intrinsic difficulty about this redemption in specie, beyond the power either of banks or of Government to control. I trust that my friend John B. Jarvis and S. S. P. will find, on a more careful examination of what I have written, that I am as much opposed to an irresponsible, inflated, paper currency, as I ever was. I am now opposed to the present currency, so far as it is irredeemable; but I am also opposed to the policy of withdrawing the currency from circulation, until the residue shall be on a par with gold, because, that would work great injustice to the debtor class. I do not believe in the good policy of selling Government bonds, as a means of resuming specie payments, as it will soon be drained from us again, leaving our paper as it was before, irredeemable in gold; nor in the purchase of silver to take the place of the best small currency our country has ever possessed. It is a currency that is now serving the country without interest; and is giving back to the whole people whatever is *lost or worn out* in the public service. But let the currency at all times be exchangeable with *interest-bearing bonds*, and let the Government not only make its money a legal tender, but receive it for all dues, and we shall hear no more either of "inflation" or of "depreciation." This is my doctrine "in a nut-shell." I believe with Jefferson and many of our wisest statesmen, that our general Government is as much bound by the Constitution to hold the entire control of all that is allowed as a legal money measure, in the regulation of trade and commerce, as they are bound to fix a standard for the pound weight or the bushel measure. That this measure of value should be made as unfailing and unalterable as possible. And the currency should always compare well with the most condensed and valuable form of human labor, as it is now found in gold. But after the most mature reflection, I find myself compelled to believe, with Benjamin Franklin, "that any other well-founded credit is as much an equivalent for labor as gold and silver." He says, what all now know to be true, "that paper money, *well founded*, has great advantage over gold and silver, being light and convenient for handling in large sums, and not likely to have its volume reduced by demands for exportation." "On the whole," he says, "no method has hitherto been found to establish a medium of trade equal, in all its advantages, to *bills of credit made a general legal tender.*"

That such a policy is practicable, is proved by the fact that the French Government has made and maintained a legal-tender paper circulation, through one of the fiercest and, to them, the most disastrous wars of modern times; and, having paid a thousand millions of indemnity, their paper money is to-day nearly on a par with gold. This is because the Government took its own paper for all dues, instead of discrediting it, by not taking it, as ours does. They take their paper also for French Government bonds, which has resulted in the public debt being mainly due to their own citizens, instead of foreigners, as ours is to-day, thus becoming a perpetual tax on the resources of the country.

My efforts to avoid the evils that have befallen the finances of our country, will appear in a paragraph from a petition sent by me to Congress.

“During the session of the Congress of 1869, I had the honor to send to every member of the Senate and House of Representatives a plan for the establishment of a currency that all our experience has shown to be the best that our country has ever possessed. It only required an act of Congress declaring that the legal-tenders then in circulation should never be increased or diminished in amount, only as *per capita*, with the increase of inhabitants of the country. It will now only require an act of Congress to make such currency as just and permanent a measure of the value of all property and labor, as the yard-stick or pound-weight, as money, weight and measure must always exist by governmental authority. To make our present legal-tenders the best currency in the world, it will only require that Congress receive the legal-tenders in payment for all duties with an amount of currency added that will be equal to the premium that gold has borne during the month preceding the maturing of all contracts. This plan will make it the interest of every man to bring legal-tenders on a par with gold in the shortest possible time.”

The several quotations of the opinions of eminent men in the history of this country, which I gave in my “Letter on the Currency,” were intended to show by good authority that Congress had a right to borrow money on the credit of the United States, and to issue bonds bearing interest for the same; and in this is implied the power to issue a currency as legal tender, for this is only another form of the public debt. But to incur the great debt of four hundred millions of dollars in the shape of a paper currency; to make this a “forced loan,” by making this

paper a legal tender for all debts as between individuals, and to pay it to every one from whom the Government obtained service or material, and at the same time to discredit this paper, by refusing to take it for the Government dues, and to withdraw forty-four millions of this currency from the active trade of the people in the course of two or three years, thus embarrassing trade and shrinking values, until a "*panic*" was brought on: all this seems to me a great mistake on the part of our Government—not the issuing of this currency, for that was a necessary war measure to save the integrity of the Union—but to make this currency irredeemable, either in bonds or in gold; and then to contract it, after all values had been measured by this currency for some years, and debts incurred which the parties had the right to believe were to be paid in good faith, by the same measure as they were contracted—this does seem to me not only a great mistake, but a great injustice to the people.

I have urgently recommended that our Government should hold itself bound, as an inviolable obligation, to regard every dollar of the legal-tenders, which were issued to save the nation's life as a loan drawn from the people, which the Government was as much bound to pay in full measure as ever a debt due from one individual to another. This debt was a fair claim on the whole property of the country. When made a legal tender, it should have been received by the Government for all dues, and the whole amount issued should have been allowed to become the permanent standard and measure of all values, as it was for a time, letting the natural demands of trade and commerce and the gradual growth of the country determine its future value, as compared with other commodities—gold, for instance.

This currency should have for its base of security the solemn pledge, already given by the Government, that the \$400,000,000 and the National Bank currency put in circulation as a war debt should never be increased, unless called for by conditions just as imperative as war. And further, this pledge should have been followed by an act of Congress, to tax the whole property of the country, on which this war debt was a lien, to pay the interest of it at some proper rate to those who held the currency, but could not use it advantageously in trade, by making it convertible into bonds at any time at the will of the holder. Such a course would have given an annual assurance that our Government meant to pay every dollar of its debt, both at home and abroad. It would also have given to our country a degree of sta-

bility in the operations of trade and commerce, that would in time, compensate our country, for all the losses occasioned by the war of rebellion.

In conclusion, I would say that ever since paper money was issued by any civilized country, except, perhaps, at the very first, it has soon grown out of all possible redemption. So that it has generally been assumed that one dollar in coin would float from three to five dollars in paper. But this has only been true in times of expanding credits. As soon as contraction came, for any cause, a "panic ensued;" for it was found that a dollar in coin was needed for every dollar in paper. Why, then, keep up this vain fiction any longer? It can only serve to expand credits to an unwarrantable degree, while it permits another class to contract credits suddenly and to a ruinous degree. It leads inevitably to "*panics*." Now, it seems to me there is a plain way out of all these financial difficulties. If currency is issued only as an equivalent of bonds, then every dollar of the currency is at all times sustained, or "floated," by an equal value of the bonds of the Government. An "expansion of currency" can go no further than the actual equivalent received by the Government for its bonds. A "contraction of currency" can go on no faster than the conversion of the paper into bonds. Panics will be impossible, because there will always be a means by which real "assets" can be at once converted into money. It is this want of "ready conversion" that causes panics and ruins even "well-founded houses." I have said before, that I believe this will bring the currency on a par with gold; but whether it does or not, it is certain that we cannot, by any legal enactments, keep our currency on a par with gold, without either shrinking its volume to less than the ordinary demands of trade and commerce in this country and doing great injustice to the debtor class, or by a proper policy on the part of the Government in respect to this currency, to prevent those great fluctuations in its value which lie at the foundation of all financial troubles.

I have lived too long to enter now, at this late day of my protracted life, into the mere partisan disputes of the day. I have no other object or interest than the welfare of the whole people of my country; and, believing as I do, I should hold myself very much to blame, if I withheld my feeble testimony in this important crisis of the country, and on a question involving such momentous consequences, as a sound currency and a true financial system. On

these we must depend for the future prosperity and happiness of the whole industrial class, with whom I have ever been in sympathy. I confess to a most profound anxiety for all those who, with their best efforts, find life a great struggle for a bare subsistence.

These troubles will be greatly lessened when gold becomes, as it should be, only a guide in the exchanges of commerce, as the mariner looks at the north star as his best guide over a dangerous ocean.

A large, elegant handwritten signature in cursive script. The first part of the signature is a large, stylized 'R' that loops around and under the rest of the name. The name 'Ruth Cooper' is written in a fluid, connected cursive style. The 'R' is particularly prominent, with a large loop that extends upwards and then curves back down to underline the 'u' and 't'.

NOTE.

I append the following quotations from a history of finance in England, by S. A. Goddard, Birmingham, England, to show that "our only hope of security from the desolating blight of periodical panics must be found in a *non-exportable paper or currency*."

These facts are so identical in their general character with the facts in this country, that it can be easily seen they must spring from the same causes and from a similar system of finance.

Hence they bear directly upon the questions now under discussion, and for this purpose seem to me very instructive and convincing.

Mr. Goddard introduces his pamphlet thus:

"The writer having seen and felt the disastrous effects of five great panics in England and their accompanying panics in America, which upon each recurrence have put a stop to trade, ruined clients, and broken up arrangements and connections formed after long, diligent and expensive exertion, is desirous of impressing on those who have not studied the subject, that similar panics will certainly occur periodically, so long as the present monetary system is continued.

If, in pursuing this search, it be found that a similar depression of business to that now experienced, and to which these enquiries relate, has been witnessed periodically for a series of years, presenting on each return precisely the same characteristics; and if, during the whole of these years, it be found that a system has prevailed upon which the business transaction thus depressed have been based, and that no other system, condition or circumstance, having any material general bearing on these transactions, has existed, or been in force throughout the same period, then it is fair to conclude that to this system may the depression be attributed, and that a repetition of these periods of depression is to be averted only through a reformation of the system.

In reviewing the events which have preceded the depression under consideration, it appears necessary to go back to the year 1797, when the Parliament "restricted" the Bank of England, for a given period with Napoleon, from paying its notes in specie, renewing the restriction from time to time, and finally determining that it should be in force until the expiration of two years after the war, when the bank should resume specie payments.

The Bank of England and Provincial Bank Notes constituted the money of the country thenceforward, for a period of twenty-six years, performing all the necessary functions of money, effecting the exchanges of property, enabling capital to employ labor, to feed the hungry and clothe the naked; and also enabling the Government—whether for good or evil, need not enter into this consideration—to carry on a great war, and bring it to a triumphant conclusion. These notes, at no time a legal tender, passed current, and were taken in payment upon all occasions; a fact highly creditable to the good feeling and patriotism of the people.

When the war terminated, the bank commenced preparations for a return to specie payments, occasioning a general stringency in the money market, causing a

fall of prices, injury to credit, and the prostration of trade. The return of peace, which should have gladdened all hearts, bringing with it prosperity and happiness, brought sadness and sorrow to thousands. Vast numbers of persons were thrown out of employment; the laboring classes became tumultuous, and the Government, during a time of profound peace, achieved by the patriotism and valor of these same classes, suspended the Habeas Corpus Act, in order to drown their cries and stifle their complaints.

Lord Liverpool told the agriculturists, who memorialized him on the subject of their difficulties, that "over-production was the cause of the low prices of agricultural produce," and this at a time when the Government was encouraging emigration because there were too many mouths to feed; and he told the manufacturers of Manchester and Birmingham, who waited upon him with respect to their distresses, that they "made too many goods;" "they had overstocked the markets of the world." The consumption of cotton at the time being about one-eighth of what it now is, and the make of iron and of Birmingham goods being not far from the same proportion.

Some persons at this time sought relief in an attempt to amend the representation of the people in the parliament; but the election of a "Parliamentary Attorney", sent several of them to prison without improving the times, and although the movement was followed by the formation of the "Political Union," resulting in the Reform Bill of 1832, the panics of 1837, 1847, 1857 and 1866 nevertheless occurred, with their attendant periods of depression, differing in no essential respect from that from which the relief was sought.

Government, however, became alarmed; and extended the time for returning to specie payments to the year 1819, which caused a revival of confidence, indicating, as it was supposed to do, the intention of the Government to pursue a lenient policy in regard to the bank; consequently new life was given to the people, but only for a time, for the bank, in preparing for resumption in 1819, soon obliterated all signs of amendment, and the depression continued.

In the year 1819, the memorable bill known by the name of "Peel's Bill" was passed. It provided that silver should no longer be a legal tender above the sum of forty shillings; that the bank should pay its notes in gold at £4 1s. per oz. in the year 1820; at £3 19s. 6d. the ounce in the year 1821; at £3 17s. 10½d. the ounce from that time until the 1st of May, 1823; and thenceforward in the gold coin of the realm. It also prohibited the issuing of notes under the denomination of five pounds, after 1823, by any bank in England; but the Scotch, headed by Sir Walter Scott, made such a vigorous defense of their one-pound notes that the prohibition was not extended to Scotland. This bill was accepted and passed by the Parliament, on the assurance of Mr. Ricardo and other leaders that it would affect prices only four per cent., whereas it was shown, a few years later, that it had affected prices more than fifty per cent.

The tendency of the act was soon seen; the banks drew in, prices fell, business became depressed, large numbers of persons were thrown out of employment, the poor rates increased, and the complaints were loud and deep. Agricultural products felt the effect equally with other articles, and the landed interest which had purchased land at high prices, mortgaging it in part payment, and had expended much money in improvements and in expensive living, now found itself in an agony.

In this dilemma it called upon the Government for relief, and the call was too significant to be disregarded. Lord Castlereagh brought into Parliament five money bills in one night, one of them permitting the circulation of one-pound notes ten years longer, viz., from 1823 to 1833, and all of them designed to increase money facilities, passing them through as rapidly as the forms of Parliament would permit.

The effect of these measures was great and immediate. Confidence revived, labor everywhere found full employment, and ere long there was not a cottage in the land where the benign influence of an increased medium of exchange between labor and capital was not felt.

In the November of this same year (1825) there came a crash which shook England to its centre. The nation was not visited by fire, by sword, by tempest nor earthquake, nor by any one of the plagues of Egypt, but simply by a reduction in the Bank of England note circulation.

The Government, in bringing in its money bills, and especially in extending the period for one-pound notes, had impressed the community with the belief that it intended to keep up the bank-note circulation, and, consequently, people embarked in business energetically, and no doubt many rash speculations were entered into; but, unfortunately, in the hour of need the Government was found "too little for its place;" it was weak and vacillating and, abandoning the policy inaugurated by Lord Castlereagh, left the people for a time to their fate.

It is painful, even at this late day, to recall to mind the events of this period. More than seventy banks stopped payment; merchants and manufacturers innumerable were brought down; panic, eventually, ruled triumphant, and the total destruction of credit appeared imminent. All of a sudden the plague was stayed. Not by any miraculous interposition; not by any dispensation from the portals; but by the Bank issuing one pound notes. It had ceased to issue notes under five pounds in the year 1819, and had destroyed them, with the exception of one case, which had never been issued. This case was now found and the notes were at once put into circulation. The moment they were seen the panic ceased. Lord Liverpool at the same time recommended the Bank to throw two millions of notes into the market in the purchase of Exchequer Bills, and to loan three millions on deposits of merchandise; few deposits were made, but the first measure, bringing out the "thousand pound" notes freely, relieved the pressure, and to some extent restored confidence. Thus, for the second time in twenty-eight years, was anarchy averted by the issuing of bank notes, while whatever prosperity was enjoyed during that whole period was mainly due to the use of paper money.

The Government now appeared to realize the necessity of doing something to put the circulating medium upon a more stable footing. The Bank of England, at Lord Liverpool's instigation, established branches in many of the large provincial towns, in order to fill the gap created by bank failures, and supply, as was supposed, a more reliable money. He also induced the bank to relinquish a monopoly it held that prohibited the establishment of any bank with more than six partners without its consent; thus permitting the formation of joint stock banks, both of which measures were popular.

About this time Bank of England notes were made a legal tender from all persons but the Bank itself, thus economizing the use of gold, by relieving the private and joint stock banks of the necessity of keeping it on hand to meet their notes.

The effect of the efforts of the Government to strengthen the banking system was soon felt. Bank accommodation was extended, money became more and more plentiful, confidence revived, the low prices to which British products had fallen encouraged exportation, and after a long period of depression of trade, prosperity once more dawned upon the people.

The re-echo of these boastings had hardly ceased before the crash of 1837 prostrated, as it were, for the time being, the commercial communities of both England and America. This crash was attributed to the Americans, and was, no doubt, aggravated by the state of trade with that country, but would certainly have occurred, in any case, though perhaps at a later period.

With the exception of being aggravated by these events in America, the cause of this panic was the same as that of the panic of 1825, viz., a demand for gold for exportation, brought on by increased banking facilities, which stimulated industry and occasioned the prosperity, but at the same time led to foreign loans, and to a rise of prices in the English market, encouraging importations and discouraging exportations, and thereby turning the exchanges against the country.

In the month of May of this year, 1837, when the Bank of England was sorely beset, and the American banks had stopped specie payments, the *Times* wrote: "See what rogues are here; they have got our specie, and now have stopped payment in order to keep it." A "Birmingham Economist" replied, "Not so, the stoppage makes merchandise of the specie; it will now seek its best market, and will come to England by every packet;" and so it came to pass, for from that time forward, for the space of two months or more, every packet ship brought gold, and the Bank of England, which but for this timely aid would have stopped specie payments in July, was relieved.

Business continued to improve; cheerfulness was in the ascendant; every one became fully employed; both the home and foreign trade increased, and every interest was "in a thriving condition." This enviable condition, however, was not destined to a long continuance, for under the system established by the bills of 1819 and 1844, prosperity was but the prelude to adversity and disaster; the railway speculation broke down, and while all were eating and drinking, marrying and giving in marriage, came the panic of 1847.

The same causes existed as on previous occasions. Investments in foreign loans, and a rise in the price of all articles but gold, encouraging as usual importations and checking exportations, caused a demand for gold for exportation, and soon drained the Bank, depriving it of the power to assist the community, and placing it in imminent danger.

The Government had now to step in and authorize the Bank to issue notes in violation of the law, in order to stop the panic and prevent general ruin, and then had to call Parliament together to grant a bill of indemnity.

The course of events after 1847 varied but little from that subsequent to the panics of 1825 and 1837. A period of depression and dejection, of want of employment and low prices, succeeded by a more hopeful condition, gradually leading to a brisk trade, full demand for labor, and a general rise of prices, keeping pace exactly with the increasing money facilities; followed by speculations in shares and companies, large importations, a turn of the exchanges, a run on the Bank for gold for exportation, and culminating in the panic of 1857; then by the Government again authorizing the Bank to issue notes contrary to law, and in again calling Parliament together to grant indemnification.

During this decade a new and unexpected feature, affecting the monetary question, had been presented in the gold mines of California and Australia. Large quantities of gold had been sent to Europe and coined, but this did not prevent the baneful effects of a system which lifted the community up at one time to dash it down at another. It is computed that an amount of gold has been coined in England, France, India and America since the year 1848, when the gold in California was discovered, equal to four hundred millions of pounds sterling; experience showing that the capabilities of communities to absorb gold, to pocket it, to put it out of sight, is much greater than had been generally supposed.

The crisis of 1866 was probably more disastrous to the money interest than any one culminating in previous panics. It brought down several first-class establishments, and seemed to especially delight in disporting in the upper monetary circles. Again the Government authorized the Bank to issue notes in contravention of the law, and again called Parliament together to grant indemnity. Thus for the third time in twenty-two years had the bill of 1844 been suspended, in order to save the community from the results that it was especially designed to prevent.

Looking back to past years, and learning from experience, the cause of the present depression in business must be plain to any observant mind. It is primarily the damage to confidence in men and things, and to decreased ability to purchase on the part of dealers and consumers, occasioned by the panic, caused by a monetary system, still in full action, that deceives and cheats the community; lifting it up at one time to dash it down at another, as has been already stated; bribing the people to enter into business and to undertake hazardous enterprises, and after alluring them on, removing the prop which should sustain them, and leaving them to their fate.

It will be seen by the foregoing statements that within the short historical period of forty-one years England has been visited by five great panics, each probably fifty times more destructive to property, and possibly to life, than the greatest earthquake the world has ever known, all of the same character, all exhibiting the same features, and all occasioned by a demand for gold for exportation. And it will also be seen that these several panics have been stayed, and ruin averted, by issuing bank notes, and that at three of these times the Bank has been authorized to issue the notes in violation of the law framed especially to ensure a supply.



